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SUBJECT: BULGARIA RULING PARTY SEALS DEAL TO AVERT POLITICAL CRISIS

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11. (SBU) SUMMARY: Bulgaria's ruling coalition signed February 7 a cooperation agreement with the New Time (NT) party that secured majority support for Simeon Saxe-Coburg Gotha's government in the upcoming no-confidence vote. Under the deal, the ruling party, its junior coalition partner, and the NT create a stable parliament for the PM's cabinet until the mid-2005 general elections. The three liberal parties also agreed to form a coalition in the pre-election campaign. The deal, if honored, averts a political crisis in Bulgaria. The no-confidence vote will still take place, likely on February 11. While it is not yet clear whether a cabinet reshuffle is part of the eleventh-hour deal, an NT leader told us they will back the government even if their request for cabinet changes are not met. The GOB's supportive policy on Iraq should be bolstered by this agreement. END SUMMARY

DEAL ENDS POLITICAL UNCERTAINTY?

12. (U) In the deal, the ruling National Movement for Simeon II (NMS) and its coalition partner, the predominantly ethnic Turkish Movement for Rights and Freedoms (MRF), agreed to accept the centrist New Time as an equal partner in the coalition. The three liberal groups also pledged to unite their efforts during the upcoming campaign with a goal of securing "a new term for a liberal government". "This deal will allow the government to fulfill its program, which is extremely important for our society, and for Bulgaria's image abroad, especially in Brussels," Saxe-Coburg told reporters. He was referring to the planned signing of Bulgaria's EU pre-accession treaty on April 25th, which, according to government officials and analysts might have been delayed by a political crisis.

13. (U) The political turmoil began last week after five opposition groups from both sides of the political spectrum, including NT, tabled a motion of no confidence in the government. It continued on February 4 when the National Assembly ousted Chairman Ognyan Gerdjikov (Refs A and B). The deal, which secures a majority of 131 seats in the 240-seat chamber, ensures the political future of the NT which was formed by reformist NMS defectors last year.

RESHUFFLE STILL POSSIBLE

14. (SBU) "The agreement puts an end to political uncertainty and allows the government to rely on a stable parliamentary majority", NT Parliamentary Group Chairman Miroslav Sevlievski told us. He confirmed NT would back the cabinet and reject the upcoming no-confidence motion. Sevlievski also told the Embassy that the stabilized coalition would continue to support the U.S. in Iraq. Also, contrary to public statements, support for the government would not depend on whether Saxe-Coburg meets NT's requests for a government reshuffle. Sevlievski told us that while NT would like to get ministerial chairs in the incumbent government, this would not be a deal-breaker either. NT is looking for their future survival. "[The deal] is about a long-term partnership with a view of forming the next liberal government", Sevlievski told us. He reiterated that NT's maneuvers were aimed at securing the political future of NT leaders in the June elections and was not intended to take down the government.

15. (SBU) COMMENT: The agreement between the three parties makes it more likely that the government will survive until the summer general elections. Whether the coalition lasts through the elections is another issue. The fate of Deputy PM and Minister of the Economy Shuleva remains uncertain. Her actions surrounding a major privatization sparked the crisis but her relationship with the PM appears to remain intact. Much can still happen in the four days before the no confidence vote, but the PM's government is much more secure after the signing of this agreement than it was last week.

16. (U) Distribution of seats in parliament:

*National Movement for Simeon II
Coalition for Bulgaria (Socialists)

98
49

United Democratic Forces (Ivan Kostov)	28
*Movement for Rights and Freedoms	20
Union of Democratic Forces (Nadezhda Mihailova)	14
People's Union	11
*New Time	13
Independent	7
*Coalition partners	